GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1152
ANSWERED ON:23.11.2007
OUTSTANDING BANKING ACTIVITIES IN RURAL AREAS
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government proposes to outsource the normal banking activities in rural areas; and

(b) if so, the details thereof ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b) : With the objective of ensuring greater financial inclusion and increasing the outreach of the banking sector, the RBI issued guidelines in this regard on 25th January, 2006 permitting banks to use the services of Non-Governmental Organisations/Self Help Groups (NGOs/ SHGs), Micro Finance Institutions (MFIs) and other Civil Society Organisations (CSOs) as intermediaries in providing financial and banking services through the use of Business Facilitators and Business Correspondents.

Under the "Business Facilitator" model, banks may use intermediaries for providing facilitation services such as :-

(i) identification of borrowers and fitment of activities;

(ii) collection and preliminary processing of loan applications including verification of primary information/data;

(iii) creating awareness about savings and other products and education and advice on managing money and debt counseling;

(iv) processing and submission of applications to banks;

(v) promotion and nurturing Self Help Groups/Joint Liability Groups (JLGs);

(vi) post-sanction monitoring;

(vii) monitoring and hand holding of SHGs/JLGs/Credit Groups/others; and

(viii) follow-up for recovery.
In addition to activities listed under the Business Facilitator Model, "Correspondents" appointed under the "Business Correspondent" model can undertake −

(i) disbursal of small value credit;

(ii) recovery of principal/collection of interest;

(iii) collection of small value deposits'

(iv) sale of micro insurance/mutual fund products/other third party products; and

(v) receipt and delivery of small value remittances/other payment instruments.